

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6315**

**BILL NUMBER:** SB 412

**NOTE PREPARED:** Jan 16, 2013

**BILL AMENDED:** Jan 14, 2013

**SUBJECT:** Health Facility Quality Assessment Fee.

**FIRST AUTHOR:** Sen. Miller Patricia

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State and Local

**Summary of Legislation:** This bill extends the law establishing the Health Facility Quality Assessment Fee (QAF) until June 30, 2017. (Current law assessing the fee expires June 30, 2014.) The bill specifies the state fiscal year distribution methods for the assessment.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** This bill would extend the required increase in Medicaid nursing facility reimbursement for three years. The current statute requires that in the FY2014-FY2015 biennium, 70.6% of the QAF collected, must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement targeting specific uses. The remaining 29.4% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Should federal financial participation become unavailable to provide for the reimbursement, current law provides that the Office of Medicaid Policy and Planning (OMPP) will cease to collect the QAF.

This bill requires the following percentage distributions of the QAF collections.

Designated Purpose	FY 2013	FY 2014 Through FY 2017
Nursing Facilities Services	66.5 %	70.6 %
Other Medicaid Services	29.4 %	29.4 %
To Pay Prior-Year Nursing Facility Overpayments	4.1 %	-

If the QAF results in annual collections of \$156.2 M in FY 2013 and \$166.3 M through FY 2017, the amounts shown below would be available to leverage federal funds for the designated purposes.

<b>Designated Purpose</b>	<b>FY 2013</b>	<b>FY 2014 Through FY 2017</b>
Nursing Facilities Services	\$ 103.9 M	\$117.4 M
Other Medicaid Services	\$ 45.9 M	\$ 48.9 M
To Pay Prior-Year Nursing Facility Overpayments	\$ 6.4 M	-
<b>Total</b>	<b>\$ 156.2 M</b>	<b>\$ 166.3 M</b>

**Explanation of State Revenues:** *Extension of the QAF:* Extending the authorization for the collection of the QAF from July 31, 2014, to June 30, 2017, would authorize an estimated annual collection of about \$166.3 M for FY 2015, FY 2016, and FY 2017, if nursing facility days remain constant. The ultimate QAF collections will depend on federal actions. Extension of the QAF would allow the state to continue receiving for 3 additional years, \$48.9 M in funding to be used for the Medicaid Program. The total annual collections and the state share of the collections from the extension, actual and estimated, are as follows.

<b>Fiscal Year</b>	<b>Total QAF Collections</b>	<b>State Benefit From Extension of QAF</b>
2006	\$ 327.4 M	\$ 62.7 M
2007	\$ 108.4 M	\$ 21.7 M
2008	\$ 103.4 M	\$ 20.7 M
2009	\$ 96.5 M	\$ 19.3 M
2010	\$ 98.8 M	\$ 19.8 M
2011	\$ 98.8 M	\$ 19.6 M
2012 @	\$ 99.9 M	\$ 23.6 M
2013*	\$ 156.2 M	\$ 45.9 M
2014*	\$166.3 M	\$ 48.9 M
2015*	\$166.3 M	\$ 48.9 M
2016*	\$166.3 M	\$ 48.9 M
2017*	\$166.3 M	\$ 48.9 M
* Estimated; assumes nursing facility days remain constant.		
@ FY 2012 assessment was for \$153.9 M. Actual QAF collection is reflected due to timing of CMS approval. State share would be \$36.6 M. The retroactive increase in revenue would carry over to FY 2013 actual collections.		

**Background:** In the current model approved by CMS, the amount of the QAF is based on a nursing facility's

total annual patient days. Beginning October 1, 2012, Quality assessments of \$16 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed \$4.00 per non-Medicare day. Local government-owned nursing facilities will be assessed \$4.00 per non-Medicare patient day. Local government-owned nursing facilities acquired after July 1, 2003, will be assessed \$16.00 per non-Medicare patient day. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 33% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 67%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of Local Expenditures:** See *Explanation of State Revenues*, above, as it relates to municipally owned or county-owned nursing facilities or health facilities.

**Explanation of Local Revenues:** See *Explanation of State Expenditures*, above, as it relates to municipally owned or county-owned nursing facilities or health facilities.

**State Agencies Affected:** OMPP; State Department of Health.

**Local Agencies Affected:** Health and Hospital Corporation of Marion County-owned, Municipally owned, or county-owned nursing facilities or health facilities.

**Information Sources:** Family and Social Services Administration; "Quarterly Financial Review (June 2012)", Office of Medicaid Policy and Planning; *Indiana Handbook of Taxes, Revenues, and Appropriations*, Fiscal Year 2012", Office of Fiscal and Management Analysis, Indiana Legislative Services Agency; Medicaid Forecast, FSSA, December 17, 2012.

**Fiscal Analyst:** Kathy Norris, 317-234-1360.